

Ulundi Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2009

		Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Housing Development Fund	Accumulated Surplus	Total: Net Assets
		R	R	R	R	R	R
Balance at 1 July	2007	3,948,719	7,300,994	9,287,438	-	7,258,918	27,796,069
Adjust assets to agree to asset register		-	1,243,411	81,453,613	-	1,267,095	83,964,119
Depreciation 2006/2007		-	-	-	-	(6,735,849)	(6,735,849)
Prior year adjustment		-	-	-	-	2,991,532	2,991,532
Offsetting depreciation		-	(154,855)	(6,433,937)	-	6,588,792	-
Surplus / (deficit) for the period		-	-	-	-	1,376,426	1,376,426
Balance at 30 June	2008	3,948,719	8,389,550	84,307,114	-	12,746,914	109,392,297
Transfers to accumulated surplus		(3,948,719)	(8,389,550)	(84,307,114)	-	96,645,383	-
Housing Grant Received		-	-	-	50,580	-	50,580
Surplus / (deficit) for the period		-	-	-	-	4,418,259	4,418,259
Balance at 30 June	2009	-	-	-	50,580	113,810,556	113,861,136

Ulundi Municipality
CASH FLOW STATEMENT

as at 30 June 2009

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from consumers		99,751,410	76,688,809
Cash paid to suppliers and employees		(88,471,377)	(78,339,286)
Cash generated from operations	31	11,280,033	(1,650,477)
Interest received		1,627,740	1,920,261
Interest paid		(32,768)	(148,222)
Net cash flows from operating activities		12,875,005	121,562
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(15,913,160)	(10,701,172)
Proceeds from sale of fixed assets		1,922,667	4,060,515
Net cash flows from investing activities		(13,990,493)	(6,640,657)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans (repaid)		(937,500)	(1,562,500)
Increase/(Decrease) in consumer deposits		589,706	(303,702)
Net cash flows from financing activities		(347,794)	(1,866,202)
Net increase / (decrease) in net cash and cash equivalents		(1,463,282)	(8,385,297)
Net cash and cash equivalents at beginning of period		11,623,836	20,009,133
Net cash and cash equivalents at end of period	32	10,160,554	11,623,836

Ulundi Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2009

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The municipality has taken advantage of certain of the transitional provisions of Directive 4 which is available to low capacity municipalities for the year ended June 30, 2009. The application of these transitional provisions is detailed in each policy to which the Directive applies.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.5 EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting
- GRAP 21 Impairment of Non-Cash Generating assets
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 26 Impairment of Cash Generating Assets
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments

The following standards, amendments to standards and interpretations have been issued but are not yet

- IAS 19 Employee Benefits
- IFRIC 17 Distribution of Non-cash Assets to Owners
- IFRIC 18 Transfer of Assets from Customers

Ulundi Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2009

2 PROPERTY, PLANT AND EQUIPMENT
2.1 INITIAL RECOGNITION

The Municipality has taken advantage of certain of the transitional provisions of Directive 4 which is available to low capacity municipalities for the year ended June 30, 2009. Property, Plant and equipment are therefore not measured in accordance with GRAP 17 or the accounting policy. A "provisional" amount has been determined by management, which will be used until the GRAP 17 measurement process is completed. It is anticipated that this process will be complete by June 30, 2010.

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	10-20	Buildings	30
Pedestrian Malls	30	Air Conditioners	7
Electricity	25	Vehicles and tractors	7
Water	20	Office equipment	5
Sewerage	20	Furniture and fittings	10
Community		Machinery and Equipment	7
Buildings	30	Tools	5
Recreational Facilities	10	Radio	5
		Computer equipment	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Ulundi Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2009

3 INVESTMENT PROPERTY
3.1 INITIAL RECOGNITION

The Municipality has taken advantage of certain of the transitional provisions of Directive 4 which is available to low capacity municipalities for the year ended June 30, 2009. Investment property has therefore not been measured in accordance with GRAP 16 or the accounting policy: A "provisional" amount has been determined by management, which will be used until the GRAP 16 measurement process is completed. It is anticipated that this process will be complete by June 30, 2010.

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated.

4 INVENTORIES
4.1 INITIAL RECOGNITION

The Municipality has taken advantage of certain of the transitional provisions of Directive 4 which is available to low capacity municipalities for the year ended June 30, 2009. Inventories have therefore not been measured in accordance with GRAP 12 or the accounting policy: A "provisional" amount has been determined by management, which will be used until the GRAP 12 measurement process is completed. It is anticipated that this process will be complete by June 30, 2010.

Inventories comprise current assets held for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

4.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method

Ulundi Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2009

5 FINANCIAL INSTRUMENTS

5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

5.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.3 INVESTMENTS

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

5.4 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

5.5 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

5.6 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Ulundi Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2009

6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

10 LEASES

10.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

10.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Ulundi Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2009

11 REVENUE

11.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on normal consumption.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

12 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

13 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans. Refer to note 38 for details of the fund.

Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	1,000	1,000
Cash at bank	1,455,124	(190,753)
Call deposits	8,704,429	11,813,589
	<u>10,160,553</u>	<u>11,623,836</u>
Bank overdraft included in above	-	363,562
	<u>10,160,553</u>	<u>11,987,398</u>
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
First National Bank - Ulundi: 62035267609		
Cash book balance at beginning of year	(363,562)	275,488
Cash book balance at end of year	<u>1,432,659</u>	<u>(363,562)</u>
Bank statement balance at beginning of year	348,251	378,292
Bank statement balance at end of year	<u>3,226,898</u>	<u>348,251</u>
<u>Current Account (Other Account)</u>		
First National Bank - Westville Branch: 6208925531		
Cash book balance at beginning of year	168,833	315,324
Cash book balance at end of year	-	168,833
Bank statement balance at beginning of year	168,833	315,324
Bank statement balance at end of year	-	168,833
This account was opened to administer receipts and payments for housing projects and is registered jointly in the name of Ulundi Municipality and Comhousing. The account was closed during the year.		
<u>Current Account (Salaries)</u>		
First National Bank - Ulundi Branch: 62033637846		
Cash book balance at beginning of year	3,976	2,500
Cash book balance at end of year	<u>2,500</u>	<u>3,976</u>
Bank statement balance at beginning of year	3,976	2,500
Bank statement balance at end of year	<u>2,500</u>	<u>3,976</u>
<u>Credit Card account (Petrol purchases)</u>		
First National Bank - 8812710030007004	19,965	-
Deposits on call with banks	<u>8,704,429</u>	<u>11,813,589</u>
<u>Cash on hand</u>	<u>1,000</u>	<u>1,000</u>
Total cash and cash equivalents	<u>10,160,553</u>	<u>11,623,836</u>
Total bank overdraft	-	363,562
Deposits on call have been reclassified from investments to cash and cash equivalents in the current year and prior year as they have a 30 day notice period.		
Unutilised Conditional Grants must be ring fenced and separately invested. This was not implemented and amounts invested at year end were insufficient to cover the value of unspent conditional grants , as indicated hereunder:		
Unutilised Conditional Grants	14,872,005	12,941,549
Amounts invested	<u>8,704,429</u>	<u>11,813,589</u>
Shortfall	<u>6,167,576</u>	<u>1,127,960</u>

Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
2 TRADE AND OTHER RECEIVABLES		
Trade receivables		
as at 30 June 2009		
Service debtors	18,871,628	14,389,681
Rates	55,511,952	38,430,280
Electricity	10,567,277	7,173,784
Other	5,221,460	3,825,132
Total	90,172,317	63,818,877
as at 30 June 2008		
Service debtors	20,711,677	20,711,677
Rates	47,812,994	29,691,368
Electricity	10,937,114	7,862,848
Other	5,441,914	1,502,264
Total	84,903,699	59,768,157

Rates: Ageing

Current (0 – 30 days)	1,847,898	1,746,363
31 – 60 Days	1,431,408	1,402,806
61 – 90 Days	1,848,383	1,286,905
91 – 120 Days	1,502,800	1,203,653
121 days and over	48,881,463	42,173,267
Total	55,511,952	47,812,994

Electricity, Water and Sewerage: Ageing

Current (0 – 30 days)	973,646	751,596
31 – 60 Days	547,877	676,888
61 – 90 Days	463,927	457,916
91 – 120 Days	381,843	503,949
121 days and over	32,293,072	34,700,356
Total	34,660,365	37,090,705

Total - rates and service charges	90,172,317	84,903,699
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The outstanding property rates balance included an amount of R 10,974,218 in respect of Ingonyama Trust Land. The recovery of these rates is uncertain and has been referred to Council to consider the write off thereof.

3 Doubtful debt provision

Balance at beginning of the year	59,768,157	57,005,155
Contributions to provision	7,936,213	4,030,307
Doubtful debts written off against provision	(3,885,493)	(1,267,305)
Balance at end of year	63,818,877	59,768,157

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2009, R4,291,595 (2008: R3,824,515) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	31-60	1,979,285	2,079,694
2 months past due	61-90	2,312,310	1,744,821
		4,291,595	3,824,515

No government debts has been provided for in the above amount.

Trade and other receivables impaired

As of 30 June 2009, trade and other receivables of R63,818,877 (2008: R 59,768,157) were impaired and provided for.

The ageing of these receivables is as follows:

Past due - 90 days	1,884,643	1,707,602
Over 3 months past due - 120 days and more	81,174,535	76,873,623
	83,059,178	78,581,225

The fair value of trade and other receivables approximates their carrying amounts.

Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
4 OTHER RECEIVABLES		
Insurance claims	62,412	62,412
Other debtors	2,294,634	2,228,003
	2,357,046	2,290,415
Less Provision for Doubtful Debts	1,256,290	1,256,290
Total Other Debtors	1,100,756	1,034,125
5 INVENTORIES		
Consumable stores at cost	896,765	1,088,783
Inventory to the value of R341,155 was written off in the current year (R NIL 2008)		
6 INVESTMENTS		
<u>Financial Instruments</u>		
Call deposits	140,000	140,000
The New Republic Bank went into liquidation and was placed under curatorship. The value of this investment has been written down to its estimated net realisable value.		
Call investments have been reclassified as cash and cash equivalents as per note 1.		
7 NON-CURRENT RECEIVABLES		
Car loans	35,572	35,572
The entire amount is regarded as a current portion		
These loans have been discontinued in accordance with the provisions of the Municipal Finance Management Act. This balance relates to an amount due by a former employee. This debt has been handed over to the Lawyers for collection.		

Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

8 PROPERTY, PLANT AND EQUIPMENT
Reconciliation of Carrying Value

2009	Land and Landfill Sites R	Buildings R	Infrastructure R	Community R	Other Assets R	Total R
as at 1 July 2008	5,941,137	20,078,000	67,452,577	1,944,239	1,847,817	97,263,770
Cost/Revaluation	5,967,206	28,717,079	113,022,102	3,544,031	12,742,196	163,992,614
Accumulated depreciation and impairment losses	(26,069)	(8,639,079)	(45,569,525)	(1,599,792)	(10,894,379)	(66,728,844)
Acquisitions	-	2,140,619	4,125,102	959,074	465,124	7,689,919
Capital under Construction	-	-	3,733,700	4,489,541	-	8,223,241
Depreciation	(1,307)	(1,191,362)	(4,551,680)	(392,247)	(393,464)	(6,530,060)
Reclassification to Investment Property	(5,915,000)	-	-	-	-	(5,915,000)
as at 30 June 2009	24,830	21,027,257	70,759,703	7,000,607	1,919,472	100,731,869
Cost/Revaluation	24,830	30,857,698	120,880,908	8,992,646	13,207,315	173,963,397
Accumulated depreciation and impairment losses	-	(9,830,441)	(50,121,205)	(1,992,039)	(11,287,843)	(73,231,528)

Refer to Appendix B for more detail on property, plant and equipment

Land has been reclassified as investment property in accordance with GRAP 16 as the properties have an undetermined future use.

for the year ended 30 June 2008

2008	Land R	Buildings R	Infrastructure R	Community R	Other Assets R	Total R
as at 1 July 2007	5,941,137	18,473,771	65,003,607	2,326,324	2,298,784	94,043,623
Cost/Revaluation	5,967,206	26,622,129	104,448,775	3,511,136	12,949,867	153,499,113
Accumulated depreciation and impairment losses	(26,069)	(8,148,358)	(39,445,168)	(1,184,812)	(10,651,083)	(59,455,490)
Acquisitions	-	2,094,950	7,938,461	-	-	10,033,411
Capital under Construction	-	-	634,866	32,895	-	667,761
Depreciation	(490,721)	(6,124,357)	(6,124,357)	(414,980)	(450,965)	(7,481,023)
as at 30 June 2008	5,941,137	20,078,000	67,452,577	1,944,239	1,847,817	97,263,770
Cost/Revaluation	5,967,206	28,717,079	113,022,102	3,544,031	12,742,196	163,992,614
Accumulated depreciation and impairment losses	(26,069)	(8,639,079)	(45,569,525)	(1,599,792)	(10,894,379)	(66,728,844)

Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
9 INVESTMENT PROPERTIES		
Investment property	5,915,000	-
9.1 Reconciliation of carrying value		
as at beginning of the year	-	-
Reclassification from Property, plant, and equipment	5,915,000	-
as at the end of the year	5,915,000	-

Investment properties consist of land which has an undetermined use and has been reclassified from Property, Plant and Equipment.

In terms of Directive 4, these properties have been recorded at a 'provisional' amount in the current year.

9.2 Details of property
Investment property

<u>Area</u>	<u>Number of Properties</u>
MPUNGAMHLOPE A	168
ULUNDI A	197
ULUNDI B	563
ULUNDI BA	8
ULUNDI C	473
ULUNDI D	89
ULUNDI L	1
ZONDELA	376
	<u>1,875</u>

10 TRADE AND OTHER PAYABLES

Trade creditors	5,772,113	4,189,440
Payments received in advance	2,400,996	2,267,400
Retentions	1,470,252	-
Staff leave accrual	3,067,564	3,263,290
Deposits other	93,364	62,078
Land Sales Suspense	857,026	1,270,426
VAT accrual	2,906,443	3,161,702
Other payables	122,990	367,239
Total creditors	<u>16,690,748</u>	<u>14,581,575</u>

The fair value of trade and other payables approximates their carrying amounts.

The land sales suspense account represents deposits and instalments paid by the purchaser towards the purchase price of land sold by the municipality. These amounts are transferred to income once the purchases price on a property has been paid in full.

11 CONSUMER DEPOSITS

Electricity	1,272,240	682,534
12 VAT RECEIVABLE	<u>1,757,174</u>	<u>2,213,827</u>

VAT is accounted for on the receipts basis.

13 PROVISIONS

	<u>395,000</u>	-
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Performance bonuses for Section 57 Employees were provided for as outlined in the "Performance Regulations" promogated by the Department of Provincial and Local Government on the 1st August 2006.

The movement in current provisions are reconciled as follows: -

as at the beginning of the year	-	-
Contributions to provision	395,000	-
Expenditure incurred	-	-
as at the end of the year	<u>395,000</u>	<u>-</u>

Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
14.1 Unspent Conditional Grants from other spheres of Government		
Conditional grants from other spheres of government	14,872,005	12,824,442
14.2 Other Unspent Conditional Receipts Public contributions	-	117,105
Total Unspent Conditional Grants and Receipts	<u>14,872,005</u>	<u>12,941,547</u>
Refer Appendix F for further details covering movements in these grants.		
15 BORROWINGS		
External loans	-	937,500
Less : Current portion transferred to current liabilities	-	937,500
Total borrowings	<u>-</u>	<u>937,500</u>
Refer to Appendix A for more detail on borrowings.		
16 ACCUMULATED SURPLUS		
Surplus for the year	4,418,259	1,376,395
Other accumulated surplus	109,392,297	108,015,901
	<u>113,810,556</u>	<u>109,392,297</u>
The following internal reserves are ring fenced within the Accumulated Surplus:		
Capital Replacement Reserve		
Balance as at 30 June 2008	2,859,357	3,948,719
Property, Plant, and Equipment purchased ex Capital Replacement Reserve	(465,787)	(1,089,362)
Capital Replacement Reserve written back	(2,393,570)	-
Balance as at 30 June 2009	<u>-</u>	<u>2,859,357</u>
Government Grant Reserve		
Balance as at 30 June 2008	86,743,166	84,307,114
Capital grants used to finance Property, Plant, and Equipment	16,097,373	9,611,809
Offsetting of Depreciation	(6,119,079)	(7,175,757)
Balance as at 30 June 2009	<u>96,721,460</u>	<u>86,743,166</u>
Capitalisation Reserve		
Balance as at 30 June 2008	8,234,695	8,389,550
Offsetting of Depreciation	(298,160)	(154,855)
Balance as at 30 June 2009	<u>7,936,535</u>	<u>8,234,695</u>
Other Accumulated Reserves	<u>9,152,561</u>	<u>11,555,079</u>
17 PROPERTY RATES		
Actual		
Residential	5,898,266	5,278,336
Commercial	3,386,460	3,074,873
State	9,904,484	8,413,458
Total property rates	<u>19,189,210</u>	<u>16,766,667</u>
Property rates - penalties imposed and collection charges	7,037,191	6,303,069
Total	<u>26,226,401</u>	<u>23,069,736</u>
Valuations		
Residential	40,583,900	40,387,050
Commercial	16,126,000	15,459,000
State	19,920,300	19,447,000
Municipal	1,663,450	3,661,700
Ingonyama Trust	11,121,150	14,290,450
Non-Rateable	1,310,500	1,444,500
Total Property Valuations	<u>90,725,300</u>	<u>94,689,700</u>

Valuations on land and buildings are performed every four years. The latest valuation was completed on 1st January 2009, and came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

The following are the rate randages that were applied to the valuations in respect of the various categories:

- Domestic and commercial R 00.21
- Public Works R 00.6385

Rebates of 40 % are granted to residential owners and 20 % to state property owners. Rates are levied on an annual basis on property owners.

All registered indigents receive a monthly subsidy of R 00.21 for rates, this subsidy is funded from the equitable share grant.

Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
18 SERVICE CHARGES		
Sale of electricity	18,701,965	14,894,730
Other	905,435	382,774
Refuse removal	2,771,264	2,535,896
Total Service Charges	22,378,664	17,813,400
19 RENTAL OF FACILITIES		
Rental of facilities	197,033	181,117
Total rentals	197,033	181,117
20 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	1,627,740	1,920,261
Total interest	1,627,740	1,920,261
21 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	35,008,098	27,295,411
Conditional Grants utilised	17,807,561	12,144,068
Other Government Grants and Subsidies	102	-
Housing grant	-	321,860
Total Government Grant and Subsidies	52,815,761	39,761,339
21.1 Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 00.21 for rates, which is funded from the grant.		
	35,008,098	27,295,768
21.2 MIG Grant		
Balance unspent at beginning of year	3,263,164	3,510,521
Current year receipts	12,394,000	6,228,535
Conditions met - transferred to revenue	12,487,593	6,475,892
Conditions still to be met - remain liabilities (see note 14)	3,169,571	3,263,164
<i>Provide explanations of conditions still to be met and other relevant</i>		
21.3 Other Government Grants and Subsidies		
Balance unspent at beginning of year	9,678,383	7,592,297
Current year receipts	7,344,019	7,754,264
Conditions met - transferred to revenue	5,319,968	5,668,178
Conditions still to be met - remain liabilities (see note 14)	11,702,434	9,678,383
22 OTHER INCOME		
Other income		
Recovery of fruitless and wasteful expenditure (Note 34)	34,677	25,621
Total Other Income	34,677	25,621

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Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
23 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	22,355,676	21,013,816
Employee related costs - Contributions for UIF, pensions and medical aids	8,164,669	7,473,512
Travel, motor car, accommodation, subsistence and other allowances	1,742,313	1,595,901
Housing benefits and allowances	-	108,918
Overtime payments	862,038	1,439,172
Performance and other bonuses	395,000	-
Other employee related costs	1,878,057	1,485,789
Total Employee Related Costs	35,397,753	33,117,108

Remuneration of the Municipal Manager

Annual Remuneration	459,782	590,250
Performance- and other bonuses	99,000	-
Travel, motor car, accommodation, subsistence and other allowances	89,444	80,217
Contributions to UIF, Medical and Pension Funds	60,726	-
Total	708,952	670,467

Remuneration of the Chief Finance Officer

Annual Remuneration	199,245	460,255
Performance- and other bonuses	74,000	-
Travel, motor car, accommodation, subsistence and other allowances	56,539	48,924
Contributions to UIF, Medical and Pension Funds	67,940	-
Total	397,724	509,179

Remuneration of Individual Executive Directors

	Protection Services R	Corporate Services R	Community Services R
2009			
Annual Remuneration	199,245	291,661	291,661
Performance- and other bonuses	74,000	74,000	74,000
Travel, motor car, accommodation, subsistence and other allowances	56,539	78,537	78,537
Contributions to UIF, Medical and Pension Funds	67,940	90,586	90,586
Total	397,724	534,784	534,784
2008			
Annual Remuneration	55,681	340,891	340,891
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	13,063	87,991	87,991
Contributions to UIF, Medical and Pension Funds	-	83,644	83,644
Total	68,744	512,526	512,526

24 REMUNERATION OF COUNCILLORS

Mayor	501,733	208,040
Deputy Executive Mayor	430,942	402,175
Speaker	430,942	401,177
Executive Committee Members	1,488,605	1,519,792
Councillors	6,277,237	5,848,109
Total Councillors' Remuneration	9,129,459	8,379,293

In-kind Benefits

The Executive Mayor, Deputy Mayor, and the Speaker and Executive Committee Members are provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties.

Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
25 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	6,530,061	7,481,024
Total Depreciation and Amortisation	<u>6,530,061</u>	<u>7,481,024</u>
26 INTEREST PAID		
Borrowings	32,768	148,222
Total interest	<u>32,768</u>	<u>148,222</u>
This interest paid relates to the loan received from Umsekele Services, refer note 15 above and appendix A		
27 BULK PURCHASES		
Electricity	17,427,787	12,629,206
Total Bulk Purchases	<u>17,427,787</u>	<u>12,629,206</u>
28 CONTRACTED SERVICES		
Contracted services for:		
Hire of Vehicles	1,347,168	850,215
Professional fees	1,557,353	6,483
Private Security Service	1,617,469	1,008,127
Refuse Removal contracts	3,314,998	2,311,764
Software and licenses	571,323	358,210
Grant expenditure	369,483	1,082,490
	<u>8,777,792</u>	<u>5,615,290</u>